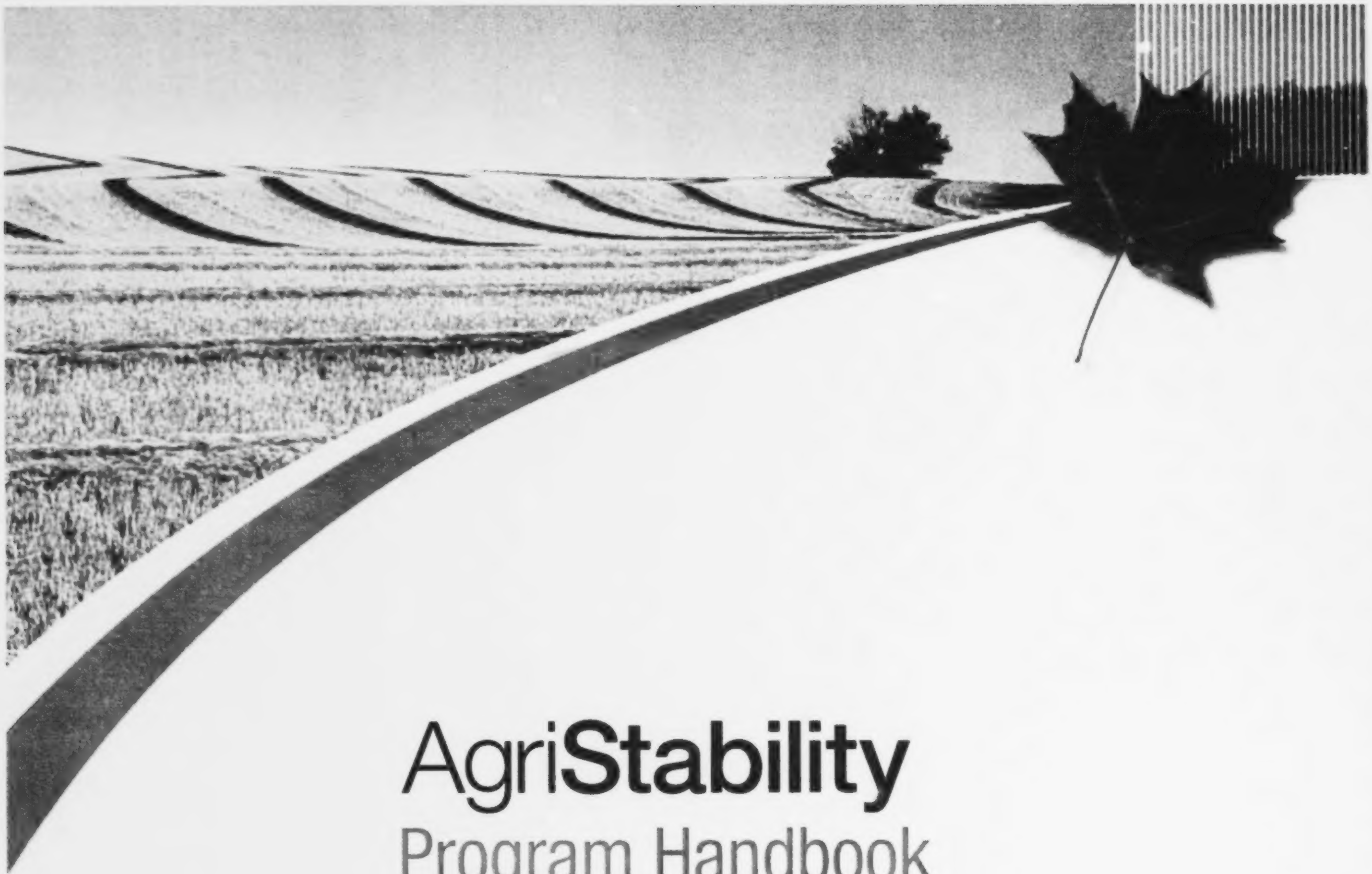


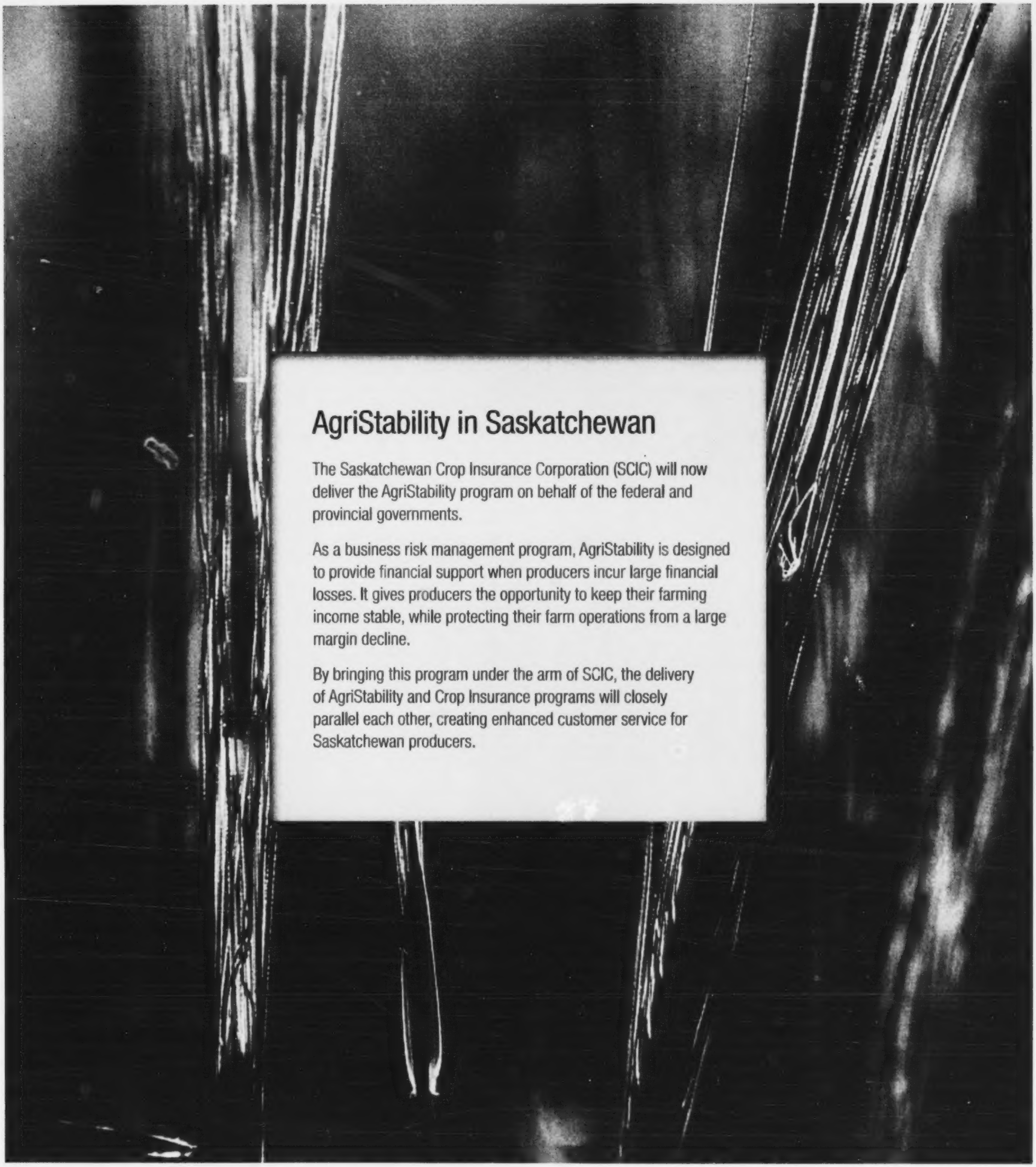
AgriStability
Program Handbook

Delivered by Saskatchewan
Crop Insurance Corporation (SCIC)

Canada

Government of Saskatchewan

SCIC
SASKATCHEWAN CROP INSURANCE CORPORATION



AgriStability in Saskatchewan

The Saskatchewan Crop Insurance Corporation (SCIC) will now deliver the AgriStability program on behalf of the federal and provincial governments.

As a business risk management program, AgriStability is designed to provide financial support when producers incur large financial losses. It gives producers the opportunity to keep their farming income stable, while protecting their farm operations from a large margin decline.

By bringing this program under the arm of SCIC, the delivery of AgriStability and Crop Insurance programs will closely parallel each other, creating enhanced customer service for Saskatchewan producers.

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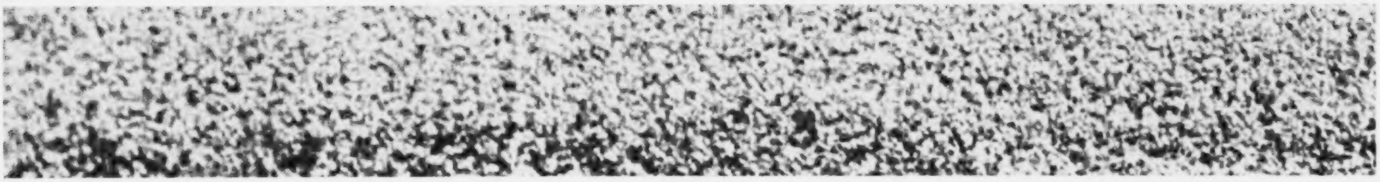
SCIC Introduction of the AgriStability Program



1.0 SCIC Introduction of the AgriStability Program

NOTE: This handbook contains general information only and is not intended to be a substitute for legislation. Where a discrepancy exists between the information in this handbook and the program authorities (the Growing Forward agreement and related program guidelines) the program authorities will take precedence in all cases.

1.1 Program Information

AgriStability is a business risk management program, designed to provide financial support when producers incur large financial losses. AgriStability allows producers to protect their farm operations from a large margin decline, while stabilizing their farming income. Benefits are based on a 15 per cent or greater decline of the farm's current production year margin compared to a historical average.

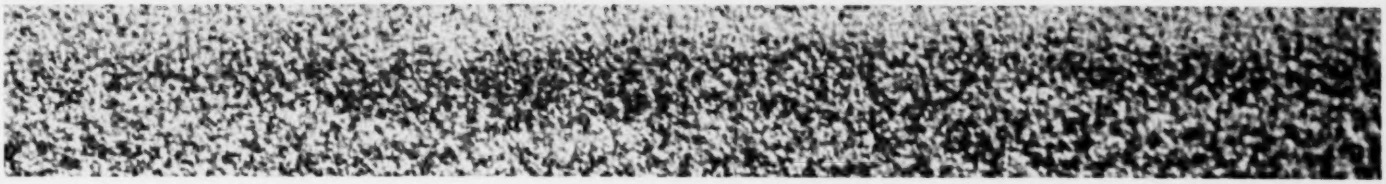
AgriStability is a key component of the Growing Forward agreement, a federal, provincial and territorial initiative with a market-driven vision for Canada's agriculture industry. Other business risk management components include the AgriInsurance (crop insurance) and AgriInvest programs. The business risk management (BRM) programs are designed to improve client services and efficiencies, while aligning with the BRM programs that are delivered provincially.

Generally, producers that generate income and expenses from the primary production of agricultural commodities, as defined by the program, would be eligible to participate in the AgriStability program. To trigger a benefit, a participant's margin in the program year would fall more than 15 per cent below their average financial margin compared to their historical average. For complete participant requirements, please refer to Section 4.0 in this handbook.

Where indicated, SCIC will forward information for the AgriInvest program on behalf of corporations, co-operatives, and other entities to AAFC. AgriInvest is a savings account for producers, supported by governments, which provides coverage for small income declines and allows for investments that help mitigate risks or improve market income.

This handbook outlines the program rules and features for the provincial delivery of AgriStability. For more information on the AgriInvest program, please visit the AgriInvest website at www.agr.ca/agriinvest or call the Federal toll-free line at 1-866-367-8506.

Requirements published in this handbook are accurate at the time of printing, but may be subject to change without notice. For updates and current deadlines, please visit the AgriStability website at www.saskcropinsurance.com or call the toll-free line at 1-866-270-8450.



1.2 How SCIC Delivery Will Benefit Producers

On behalf of the federal and provincial governments, the AgriStability program will be delivered by the Saskatchewan Crop Insurance Corporation (SCIC). The provincial delivery will align the AgriStability and Crop Insurance programs to feature enhanced customer service for Saskatchewan producers.

SCIC is committed to building strong, positive relationships with its customers. The staff are knowledgeable of the local farming and ranching industry; providing high quality customer service. The same quality and knowledge will carry forward to the AgriStability program, creating enhanced communication and local access to staff. The AgriStability program will complement the other business risk management programs delivered provincially, such as crop insurance, so that the best possible service is provided, helping create a reliable and responsive program.

2.0 Glossary of Terms

2.0 Glossary of Terms

Administrative Cost Share (ACS): The annual charge for a program participant to cover a portion of the program delivery costs.

Agreement: The Federal/Provincial/Territorial Growing Forward agreement with respect to AgriStability.

Arm's Length Transactions: Transactions between parties that are not defined as related persons.

Benchmark Per Unit Margin (BPU): The average production margin associated with producing a particular commodity or commodity group, based on industry standards.

Business Risk Management (BRM) programs: AgriStability, AgriInsurance (Crop Insurance), AgriInvest, and AgriRecovery programs created under the Growing Forward agreement. The programs are designed to offer producers more avenues of support in farm management.

Calculation of Benefits (COB): A statement issued by SCIC detailing the calculation of a participant's AgriStability benefits for the program year.

CRA: Canada Revenue Agency

Contribution Reference Margin (CRM): An estimate used to calculate the participant's fee for a program year.

Disaster Circumstances: Circumstances or events beyond a participant's control, including weather-related natural disasters, fire, and pestilence or disease, but excluding personal circumstances.

Enrolment/Fee Notice: An annual notice sent by SCIC outlining the participant's Contribution Reference Margin (CRM) and participant's fee. You must receive an Enrolment/Fee Notice to participate in the program.

Entity: A participant other than an individual recognized by law as having rights and duties, such as a corporation, cooperative, communal organization, or limited partnerships.

Fee: The annual amount participants must pay to secure coverage under the program. The fee is equal to $4.50 for every $1,000.00 of the Contribution Reference Margin (CRM) covered, multiplied by 85 per cent.

Interim Benefit: An advance benefit made to a participant based on an estimate of a participant's current program year margin, relative to the participant's estimated reference margin.

Joint Venture: A business arrangement between two parties in which each party reports their share of allowable income and allowable expenses.

Negative Margin: Occurs when allowable expenses for a given year exceed the allowable income after considering accrual adjustments and structural changes.

Non-Arm's Length Transactions: Transactions between parties that are defined as related persons.

Olympic Average: The average of production margins for three of the five years prior to the program year. The highest and lowest margins are excluded to generate the average.

P1/P2 Hybrid Inventory Valuation: Crop and livestock inventories for market commodities are valued using both an opening price (P1) and a year-end price (P2). Breeding

animals and culled breeding animals, which are not considered market commodities, are valued using a year-end (P2) price only.

Perishable Crops: Edible crops that spoil or decay easily and cannot normally be held in fresh storage for periods longer than 10 months.

Production Cycle: Includes one or more of the following activities:
- the growing and harvesting of a crop;
- the process of rearing livestock; and
- the purchase and/or sale of livestock in the case of feeding enterprises where an appreciable contribution to the growth and maturity of the livestock was made.

Program: AgriStability as defined in the Growing Forward agreement.

Program Year: The year program forms are submitted, coinciding with a participant's fiscal period for that tax year.

Program Margin: The difference between allowable income and allowable expenses for the year, adjusted for structural change, inventory valuation, receivables, payables, and purchased inputs.

Province of the Main Farmstead: Province where all or the majority of the gross farming income was earned over the reference period. Income is subject to any adjustments.

Related Persons: As defined under the Income Tax Act, the following are considered to be related persons:
- individuals connected by blood relationship, marriage or common-law partnership, or adoption;
- a corporation and
  - an individual, group of persons, or entity of a related group that controls the corporation;
  - any individuals related to a person described above; and
- two or more corporations if
  - they are controlled by the same individual, group of persons, or entity; or if
  - an individual or any member of a group of persons or entity that controls one corporation is related to the individual or any member of a group of persons or entity that controls the other corporation.

Reference Margin: An Olympic average formulated from three of the past five-year program margins.

SCIC: Saskatchewan Crop Insurance Corporation

Structural Change: A change in ownership, business structure, size of operation, farming practices, type of farming activity, method of accounting, or any other practice that may alter margins and a farming operation's potential for profit.

Stub Period: A fiscal period of less than 12 months.

Tier 1: Represents the range greater than 85 per cent up to 100 per cent of a participant's reference margin. Participants in this tier would not receive support through AgriStability.

Tier 2 (Stabilization Tier): Represents the range from 70 per cent up to 85 per cent of the participant's reference margin.

Tier 3 (Disaster Tier): Represents the range greater than zero per cent and less than 70 per cent of a participant's reference margin.

Whole Farm: Farming income derived from all sources, regardless of the physical location of the farming operation(s).

3.0
How AgriStability Works

3.0 How AgriStability Works

3.1 AgriStability Program Fee and Administrative Cost Share (ACS) Fee

All participants in the AgriStability program are required to pay an annual Administrative Cost Share (ACS) fee of $55. This fee is to offset administrative costs.

In addition to the ACS, participants are required to pay an annual program fee. The maximum program fee is $4.50 for every $1,000 of covered Contribution Reference Margin (CRM) multiplied by 85 per cent. Your CRM is calculated based on available margin information from prior years. This margin includes adjustments for structural change and all sources of allowable farm income, which is why your program fee will differ from your reference margin.

The Contribution Reference Margin is used to calculate the Enrolment/Fee Notice for participants. As the income/expense information is not available for the program year or the immediate preceding year, SCIC calculates the CRM in the following manner: if the participant has six or more years of production history, SCIC will use the five years of production history that is available for two years preceding the program year to establish the Olympic average (dropping the highest and lowest year and averaging the remaining three years).

For example, to calculate a participant's CRM for the 2010 program year, SCIC will use a participant's information from the 2004 – 2008 program years. These years are utilized at the time the Enrolment/Fee Notices are issued (in the first three months of the program year), because the majority of producers have not filed the previous year's income and expense statements to CRA.

For participants with less than six years of production history, the CRM is calculated using three years of production information. For example, for the 2010 program year, information from 2006 – 2008 is used to calculate the CRM. If the participant is missing one or more years, SCIC will establish a margin for the missing year(s) based on the operations' current productive capacity.

The minimum program fee is $45.00.

Fee Calculation Example:

> If you had a $100,000 CRM, your fee would be $382.50.
>
> ($100,000 / 1,000 = 100 x $4.50 = $450.00 x 85% = $382.50)
>
> Additionally you are required to pay the ACS fee of $55 for a total of $437.50.

3.2 Your Enrolment/Fee Notice

To participate in the AgriStability program, you must be issued an Enrolment/Fee Notice for each program year you participate. The Enrolment/Fee Notice provides you with the information needed to pay the related program fee. It also will indicate any applicable deadlines. New participants are required to complete the new participant package to obtain an Enrolment/Fee Notice.

The Enrolment/Fee Notice will also provide you with the opportunity to cancel participation in the AgriStability program. Participants wishing to cancel participation must notify SCIC prior to the deadline on their Enrolment/Fee Notice. Failure to do so would result in participants being

automatically enrolled and required to pay the program fee and any related penalties for that year.

3.3 Your Reference Margin

Your reference margin is based on an average of your previous five years, with the highest and lowest margin years dropped. This is referred to as an 'Olympic average'. If you did not farm and did not report farm income (or loss) to the CRA in each of the previous five years, your reference margin will be based on your previous three years. If you did not farm and did not report farm income (or loss) to the CRA in one or more of the three years prior to the program year, SCIC will establish margins for the missing years.

Your reference margin may be adjusted to reflect any structural change that has occurred on your farm (see Section 6.6 for more information on structural change). This calculation would be used to compare your adjusted reference margin to your program year margin to determine the extent of your margin increase or decrease.

3.3.1 Reference Margin Example

Reference Year	Allowable Income	Allowable Expenses	Accrual Adjustments	Margin
1	$ 100,000	$ 70,000	$50,000	$ 80,000
*2 (lowest)	$ 135,000	$ 80,000	($25,000)	$ 30,000
3	$ 130,000	$ 60,000	$30,000	$ 100,000
4	$ 145,000	$ 70,000	$45,000	$ 120,000
*5 (highest)	$ 225,000	$ 125,000	$25,000	$ 125,000
		Total =		$ 300,000
*The highest and lowest margins are dropped leaving the remaining three years to be averaged				Divided by 3
		Reference Margin =		$ 100,000

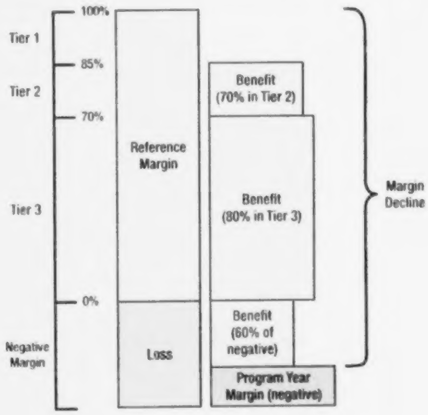
3.4 How Benefits are Calculated

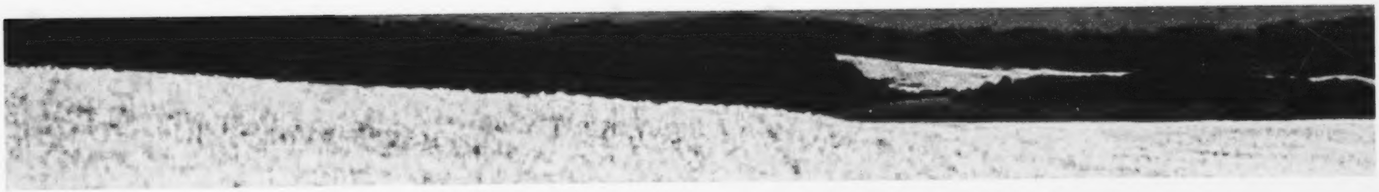
The AgriStability program is designed to offer support to producers that incur a decline of more than 15 per cent.

In the AgriStability program, benefits are calculated based on a program year margin, which is allowable income minus allowable expenses, as determined from your tax information. Additional adjustments to the program year margin include structural change to the farm operation, and inventory valuation. Cash basis adjustments may also occur for receivables, payables, and purchased inputs.

Tier 1 represents the smallest decline (15 per cent or less) and is not covered under the AgriStability program. Tiers 2, 3, and negative margins represent larger margin declines, and are covered under AgriStability.

The table below illustrates producer/government contributions in each tier of the program.





3.5 Sample Benefit Calculation

Summary	
Reference Margin	$100,000
Program Year Margin	$ 35,000
Margin Decline	$ 65,000

Reference Margin Coverage Level	Margin Decline	Government Support Level	Benefit Level
Tier 1 (No coverage)	$15,000	0%	$ 0
Tier 2 (Stabilization) 70%-85%	$15,000	70%	$ 10,500
Tier 3 (Disaster) 0%-70%	$35,000	80%	$ 28,000
Negative (<0%)	$ 0	60%	$ 0
Total Benefit			$ 38,500

4.0 Participant Requirements

4.0 Participant Requirements

4.1 How to Apply

Step 1: You must be issued an Enrolment/Fee Notice, which identifies your program fee, in order to participate in AgriStability. Contact SCIC before the Enrolment/Fee deadline if you have not received your Enrolment/Fee Notice.

New participants must request a new participant package by the Enrolment/Fee deadline for the program year they wish to participate in. Forms must be completed and submitted to SCIC by the stated deadline. The information submitted is used to generate participant fees and information for the Enrolment/Fee Notice.

Step 2: Submit your program fee and Administrative Cost Share (ACS) payment to SCIC by the deadline on your Enrolment/Fee Notice. For more information on program fees, see Section 3.1.

Step 3: Submit your AgriStability program forms by the application deadline. It is important for participants to identify which form is required to be submitted. Please see Section 4.3 for more information on filing the appropriate form.

Step 4: Once your application has been received and processed, you will receive a Calculation of Benefits (COB) outlining the calculation of margins and your AgriStability benefit (if applicable). You have 18 months from the date on your original calculation to request any amendments on the information provided. If your request for amendments is denied, you have 90 days from the date of notification to appeal this decision. For more information on amendments and appeals, refer to Section 7.5 and 9.0 in this handbook.

4.2 Eligible Participants

To be eligible to participate in the AgriStability program, you must derive income from the primary production of agricultural commodities*, provided in the program year you have:

- carried on the business of farming in Canada and reported farming income (or loss) for income tax purposes;
- completed a minimum six consecutive months of farming activity;
- completed a production cycle; and
- submitted the required information by the deadlines.

*As defined by the AgriStability program.

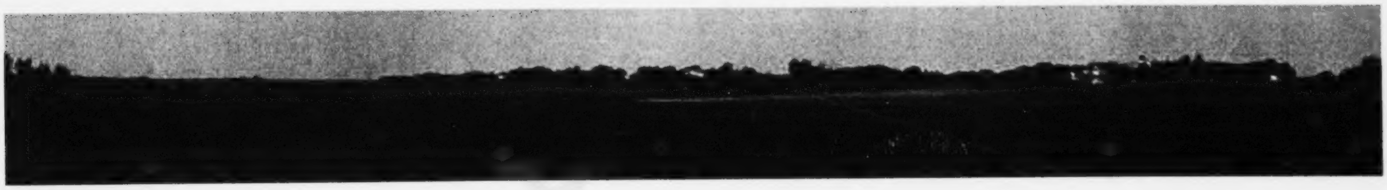
A production cycle includes one or more of the following activities:

- the growing and harvesting of a crop;
- the process of rearing livestock; and/or
- the purchase and sale of livestock within a program year in the case of feeding and finishing enterprises.

NOTE:

You must have filed farming income for tax purposes for the program year, and for all reference years in which you farmed, in order to be eligible for AgriStability. Status Indians who carry on the business of farming on a reserve in Canada, who are exempt from filing income tax returns, are eligible to participate provided they submit the information they would otherwise have reported for tax purposes.

If you were unable to complete the minimum requirement of six consecutive months of farming activity and production



cycle due to reasons beyond your control (such as disaster circumstances like flooding or drought), the conditions may be waived.

4.2.1 Landlords

Income earned as a landlord (whether cash, rent, or payments-in-kind for crop/livestock shares or lease arrangements) must be reported as rental income—not farming income—for tax purposes, and is therefore non-allowable for AgriStability. However, if your arrangement is a joint venture in which your share of allowable income is approximately the same as your share of allowable expenses, those income and expense amounts may be allowable for AgriStability, and in this circumstance, should be reported as farming income. Copies of written joint venture or crop/livestock share agreements, documenting the shared income and expense items, may be requested by SCIC.

4.2.2 New Producers

For AgriStability purposes, new producers are those who have farmed for less than three years. If you are a new producer, you are eligible to participate as long as you have had six consecutive months of farming activity and have completed a production cycle in the program year. These requirements may be waived by SCIC if you were unable to complete them in the program year due to reasons beyond your control, such as disaster circumstances like flooding or drought.

If a participant did not have farming activity and did not report any farming income (or loss) in each of the three years prior to the current program year, SCIC will create margins for these missing years based on the farm's productive capacity of the current program year. Margins will not be created for any reference year in which the participant reported or should have reported farming income (or loss) for income tax purposes, based on the requirement of the Income Tax Act. However, if a reference year was the producer's first year of farming and the producer did not complete a production cycle and/or 12 months of farming activity, SCIC may create a margin for the year even where farming income (or loss) was reported for income tax purposes.

4.2.3 Multiple Operations

Each individual or entity that reports farming income (or loss) for income tax purposes is required to participate in the program separately. If you are involved in multiple farming operations, you must submit program forms for each operation and assign a different operation number for each one (1, 2, 3, etc.). This number is used on your AgriStability applications to identify your operations. It is important that each operation uses the same operation number from year to year.

4.2.4 Multi-Jurisdiction

If you live and farm in different provinces, or if you earn farming income in more than one province, you must participate in the province where your main farmstead is located. Your province of main farmstead is the province where all or the majority of your gross farming income was earned in the reference years, subject to adjustments. You may not participate in more than one province.

4.2.5 Government Funded Institutions

Research stations, universities, colleges, municipalities, and other government-funded institutions are not eligible to participate in the AgriStability program. Eligibility will be determined on a case-by-case basis.

4.3 Filing the Appropriate Form

4.3.1 Program Forms

Participants are required to submit the AgriStability program form by the application deadline that corresponds with the taxable entity for which you have filed a tax return. The AgriStability program forms allow SCIC to calculate applicable benefits for the program year. Please refer to the categories below to ensure you complete the appropriate form.

Please note: The *"Harmonized AgriStability and AgriInvest Program Information and Statement of Farming Activities for Individuals"* form provided by the CRA is referred to as the *"AgriStability Harmonized Form for Individuals"* in this handbook.
The *"Corporations/Co-operatives/Other Entities"* form is provided by SCIC.

Sole Proprietorships (including individuals in a partnership) must complete and submit the **AgriStability Harmonized Form for Individuals** and provide their Social Insurance Number (SIN). Individuals in a partnership must each submit separate program applications reporting 100 per cent of the partnership's income and expenses, and must identify their percentage share of the partnership. SCIC will calculate each partner's share of government benefits based on each person's percentage share of the operation.

Estates must complete and submit the **AgriStability Harmonized Form for Individuals** and provide their SIN. If the estate is also filing a return for Rights and Things, the Corporations/Co-operatives/Other Entities form provided by SCIC must also be submitted. SCIC will combine the information provided on both forms.

Trusts must complete and submit the **Corporations/Co-operatives/Other Entities** form and supply their trust number.

NOTE: SCIC will forward income/expense information to AAFC for the AgriInvest program on behalf of the participant, when indicated on Corporations/Co-operatives/Other Entities form.

Corporations and Co-operatives must complete and submit the **Corporations/Co-operatives/Other Entities** form and supply their business number. As a new requirement, SCIC will request a copy of the corporation's T2 SCH1 that is filed with its income tax return. This information is required for SCIC to verify that a participant has filed their tax return and meets the eligibility requirements. Previously, this information was collected by the CRA. Forms for Corporations/Co-operatives/Other Entities must be submitted directly to SCIC.

Communal Organizations must complete and submit the **Corporations/Co-operatives/Other Entities** form and supply their trust number.

Status Indians and Band Farms who carry on the business of farming on a reserve in Saskatchewan and are exempt from filing income tax returns, are eligible to participate provided they submit the information they would have otherwise reported for tax purposes. Status Indians and Band Farms must complete and submit their **Corporations/Co-operatives/Other Entities** form to SCIC. Status Indian participants are deemed to have a December 31 fiscal year-end.

Limited Liability Partnerships are eligible to participate as an entity, and must supply their business number,

using the **Corporations/Co-operatives/Other Entities** form. Alternatively, the partners in a limited liability partnership may apply as individuals and must supply their SIN, using the AgriStability Harmonized Form for Individuals. Partners in a limited liability partnership cannot apply as both an entity and as individuals.

4.3.2 Assigning a Contact Person

In naming a contact person, you authorize that person to receive, provide or make changes to information on your behalf concerning the AgriStability program. When SCIC requires additional information, they will contact the parties listed as your contact person(s) prior to the participant. SCIC will communicate with your contact person as the first point of contact. Written correspondence may be sent to both you and your contact person.

A contact person will not be able to cancel participation in the AgriStability program. A contact person will remain on file for one program year. You must re-assign your contact person each year with your program forms.

4.3.3 Participant Initial Declaration

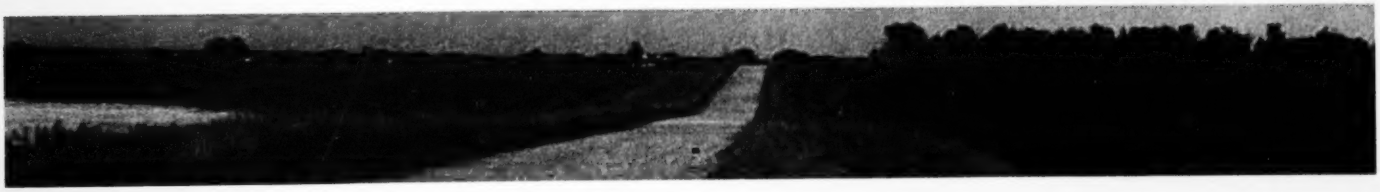
The AgriStability Participant Initial Declaration explains the rights and responsibilities of producers participating in AgriStability. It is important to understand that all personal and financial information for the AgriStability program will be protected under security and privacy legislation.

The Participant Initial Declaration must be signed and returned to SCIC by all producers participating in AgriStability. Failure to remit your signed declaration may result in delay in processing or loss of benefits. AgriStability eligibility is not guaranteed by submitting a signed declaration. Producers must fulfill all participant requirements.

4.4 Forms Available From SCIC

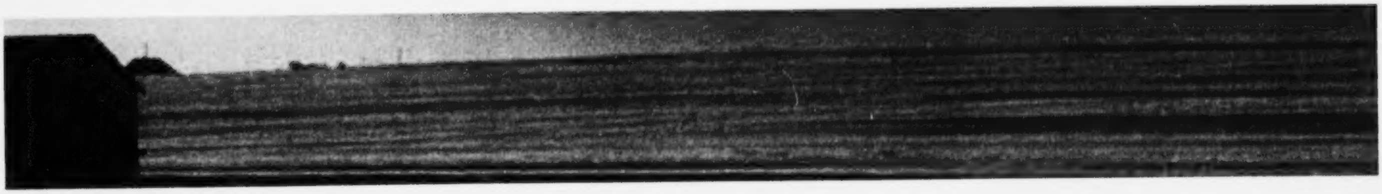
All SCIC forms are available on-demand:

- SCIC website: www.saskcropinsurance.com
- By calling SCIC AgriStability call centre toll-free 1-866-270-8450.
- For pick up at any SCIC customer service office across the province.
- Individuals will continue to receive and complete the *Farming Income* and the *AgriStability and AgriInvest Programs Harmonized Form* available from the CRA.



Form	Description
Change Participant Information	Participants who need to change their personal information, such as name or address, can complete and return this form to SCIC.
Cancel Participation	Participants wishing to cancel participation in AgriStability must complete and return this form by the applicable deadline. For more information see Section 8.0.
Change Contact Person	Participants must notify SCIC if they would like to edit/add/delete a contact person. To do so, participants must complete and return this form to SCIC. For more information on assigning a contact person see Section 4.3.2.
Participant Initial Declaration	Participants are required to submit a signed declaration. The declaration outlines the roles and responsibilities of a participant in the AgriStability program. The participant initial declaration will be mailed to participants and will only need to be signed and submitted once to SCIC.
Corporations/Co-operatives/ Other Entities	This form is used by corporations/co-operatives/other entities to submit financial and supplemental information to SCIC. To ensure that you are filing the appropriate form, please refer to Section 4.3.1.
Interim Application	Participants who would like to apply for an interim benefit are required to complete and return this form to SCIC. For more information see Section 7.2.
Additional Information and Amendment Request	Participants can request an amendment to the information generated to calculate benefits. Producers will be asked to provide additional information to justify the amendment. Producers can also use this form to provide SCIC with other additional information. For more information see Section 7.5.
Appeal Submission	Participants who feel the guidelines were not accurately applied to their application can submit a request for appeal. For more information see Section 9.0.
CWB-RA Worksheet	The CWB-RA worksheet is an optional AgriStability program feature that you may use instead of the default calculation. The worksheet allows you to calculate the CWB-RA using actual sales and the pricing option used when you sold your CWB commodities into the active pool. For more information see Section 6.1.5.

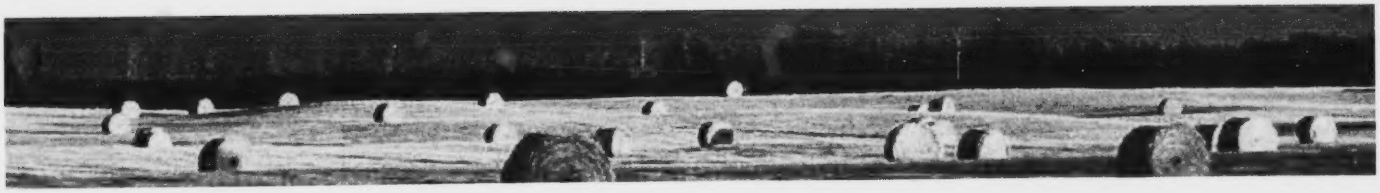
5.0
Deadlines



5.0 Deadlines

Important Deadline	Requirements
March 31	Deadline to submit your interim application.
April 30	Deadline for new participants to request a New Participant Package.
	Deadline indicated on your Enrolment/Fee Notice to cancel participation in the program year (or 30 days from the date on your Enrolment/Fee Notice, whichever is later).
	Deadline to pay your program fee without penalty (or 30 days from the date on your Enrolment/Fee Notice, whichever is later).
*Fees paid after April 30 will have a 20 per cent penalty added. You must pay your fee by December 31 or you will be ineligible to participate in AgriStability for that program year.	
September 30	Deadline to submit your AgriStability program forms.
December 31	Deadline to submit your AgriStability program forms with penalty.
	Deadline to pay your program fee with penalty. If you do not pay your fee by December 31 you will be ineligible to receive benefits for that program year.
*If you miss the September 30 deadline to submit your AgriStability program forms, you have until December 31 to submit your form with penalty. A penalty of $500/month will be deducted from your benefit.	

6.0
Margins



6.0 Margins

6.1 How Your Program Year Margin is Calculated

Your program year is the year in which your fiscal year ends. Your program year margin is calculated by subtracting your total allowable expenses from your total allowable income as reported to the Canada Revenue Agency (CRA) for the program year. If you reported to the CRA on the cash basis, your program year margin is adjusted for changes in purchased inputs, crop and livestock inventories, and your accounts payable and receivable. These adjustments ensure that SCIC has the most complete picture of your farm's situation during the program year. Crop and livestock inventories are valued using the P1/P2 Hybrid Inventory Valuation method. See section 6.1.3 for more information on the P1/P2 Hybrid Inventory Valuation Method.

6.1.1 Example of Program Year Margin Calculation

Allowable Income	Allowable Expenses	Margin
$130,000	$90,000	$40,000
	+ Net increase (decrease) in purchased inputs	$ 1,000
	+ Net increase (decrease) in accounts receivable	($ 6,000)
	+ Net decrease (increase) in accounts payable	$ 4,500
	+ Net increase (decrease) in crop inventory	($ 1,000)
	+ Net increase (decrease) in livestock inventory	($ 3,500)
	= Program Year Margin	$35,000

6.1.2 Method of Accounting

Participants must report to SCIC using the same method of accounting (cash or accrual) used to report for income tax purposes.

6.1.3 P1/P2 Hybrid Inventory Valuation

Crop and livestock inventories for market commodities are valued using both an opening price (P1) and a year-end price (P2), referred to as the P1/P2 Hybrid Inventory Valuation method. With this method, changes in the value of your crop and/or livestock inventories will reflect changes over the course of the fiscal period, and variations in the price of each commodity between the beginning and end of your fiscal period. Breeding animals and culled breeding animals, which are not considered market commodities, are valued using a year-end (P2) price only. Perishable commodities are valued on a receivables basis.

If you reported to the CRA on the accrual basis, any livestock inventory values you reported will be adjusted to ensure the value of breeding animals and culling breeding animals reflects a P2 price only.

6.1.4 Valuing Your Inventory

To value your inventory for the program year, SCIC will use year-end prices for those published commodities that have significant market data available in Saskatchewan, as outlined in the AgriStability price list (available upon request or online). If you do not feel that the year-end prices in the AgriStability price list are appropriate for your farm, you may use year-end prices

other than those in the AgriStability price list **only** if you can demonstrate that:

- your commodity is substantially different than the commodity listed on the published price list; or
- your method of marketing the commodity was substantially different from the general marketing practice reflected in the published price list.

In either of these cases, you may use year-end prices based on sales or purchases of the specific commodity in your name and occurring within 30 days either before or after your fiscal year-end. For your own year-end prices to be accepted, you must send copies of receipts and/or supporting documents that substantiate these year-end prices to SCIC. SCIC reserves the right to determine whether submitted year-end prices are reasonable for your inventory.

To value unpublished commodities (e.g. thinly traded commodities) that do not appear on the AgriStability price list, you must provide year-end prices based on the estimated market prices at year-end. Prices supplied for unpublished commodities should be based on sales or purchases within 12 months either before or after your fiscal year-end. Although it is not mandatory to provide documentation supporting your prices for these commodities, doing so will assist SCIC to process your application. Supporting documentation includes:

- receipts from sales or purchases of the commodity; or
- commodity specific price information from appropriate commodity marketing agencies.

Individuals should submit any supporting documents to SCIC at the same time they are submitting their forms to the Winnipeg Tax Centre or within your adjustment timeframe. Corporations/co-operatives/other entities must send all forms to SCIC, including any supporting documents.

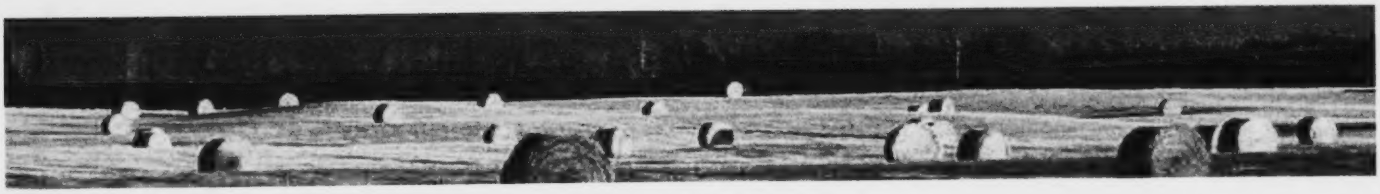
6.1.5 Canadian Wheat Board (CWB) Adjustment

The AgriStability program values changes in crop and livestock inventories for market commodities using the opening price (P1) and the year-end price (P2). For crops marketed through the CWB, the opening price (P1) is based on the Early Payment Option of 100 per cent (EPO 100) in place at the start of your fiscal year. The year-end price (P2) is based on the EPO 100 in place at the end of your fiscal year. The EPO 100 represents the highest estimated value that most producers can receive at year-end.

The EPO 100 price closely reflects the full value of CWB commodities at year-end. However, many producers sell their CWB commodities using the initial price, which is less than the EPO 100 at year-end. As a result, an additional receivables adjustment is required to ensure that your CWB commodities held in inventory are valued at the same price.

For producers who have not submitted a CWB Receivables Adjustment (CWB-RA) worksheet, SCIC will calculate the CWB-RA using an estimate of the CWB commodities you have sold into the active pool. This default calculation will be done automatically by SCIC based on the information you report on your AgriStability application. However, if you feel that the default calculation does not accurately reflect the value of your CWB sales, you may submit a CWB-RA worksheet.

The CWB-RA worksheet is an optional AgriStability program feature that you may use instead of the default calculation. The worksheet allows you to calculate the CWB-RA using actual sales and



the pricing option used when you sold your CWB commodities into the active pool.

The CWB-RA worksheet is suggested for participants who:

- sell their CWB commodities using the Early Payment Option;
- sell their grain outside of the CWB pool by using Producer Payment Option (PPO) contracts such as Flex Pro, Daily, Basis or Fixed Price Contracts;
- carry over inventory of CWB grain from one pool year to another pool year;
- suffer a disaster to stored grain; or
- determine that the default calculation does not accurately reflect the projected value for their operation.

If you submit the CWB-RA worksheet, your AgriStability benefit will be calculated based on the information you provide. SCIC will not compare the two methods to determine which one is more beneficial. If you submit this worksheet as an adjustment to your AgriStability benefit, any additional benefits resulting from the recalculation will be paid to you and any overpayments resulting from the recalculation will be repayable by you.

If you choose to use the CWB-RA worksheet in place of the default calculation, you must continue to use it annually. SCIC will not process any future applications using the default calculation. You must submit a completed CWB-RA worksheet Schedule 2 in each subsequent year of participation. SCIC will not be able to calculate your AgriStability benefits without this information.

For more information, refer to the CWB-RA Worksheet and guide which is available online or by contacting SCIC AgriStability Call Centre at 1-866-270-8450.

6.2 Allowable and Non-Allowable Items

Allowable Income	Allowable Expenses
Agricultural commodity sales	Commodity purchases
Rebates for allowable expenses	Containers and twine
Wildlife damage compensation payments	Fertilizer and lime
Crop insurance payments	Pesticides
Insurance or other proceeds for allowable income and expense items	Insurance premiums (crop production)
Premium adjustment payments (reference years only)	Veterinary fees, medicine, A.I. fees
	Minerals and salts
	Machinery (gasoline, diesel fuel, oil)
	Electricity
	Freight and shipping
	Heating fuel
	Arm's length salaries
	Storage/drying
	Prepared feed
	Insurance or other premiums for allowable income and expense items
	Commodity futures transaction fees
	Commissions and levies

*Payments received from programs other than Crop Insurance are generally considered non-allowable income for program purposes. However, certain program payments may be considered allowable in the program year and non-allowable in the reference years if they compensate you for a loss that is covered by AgriStability.

Additional Non-Allowable Items:

- Income and expenses related to aquaculture
- Sales and purchases related to a peat moss operation
- Trees produced for use in reforestation
- Income and expenses related to operation of a wild game farm

- Resales and some processed commodities
- Farming activities outside of Canada

Non-Allowable Income	Non-Allowable Expenses
Agricultural contract work	Machinery repairs
Business risk management and disaster assistance payments	Agricultural contract work
Other program payments	Advertising and marketing costs
Rebates for non-allowable expenses	Building and fence repairs
Patronage dividends	Other insurance premiums
Interest	Memberships/subscription fees
Gravel	Legal and accounting fees
Trucking	Non-arm's length salaries
Machinery rental	Office expenses
Leases	Motor vehicle expenses
Resales of commodities purchased	Small tools
	Soil testing
	Licenses/permits
	Telephone
	Machinery lease/rental
	Land clearing and draining
	Interest (real estate, mortgage, other)
	Property taxes
	Rent (land, buildings, pastures)
	Quota rental (tobacco, dairy)
	Gravel
	Purchases of commodities resold
	Motor vehicle interest and leasing costs
	Allowance on eligible capital property
	Capital cost allowance
	Mandatory inventory amendments – prior year
	Optional inventory amendments – prior year
	Other

Any income or expenses that are not substantiated by a verifiable explanation or those considered by SCIC to be unreasonable, may be adjusted or considered non-allowable. Please review sections 6.2.1 – 6.2.9 for more information on allowable and non-allowable items.

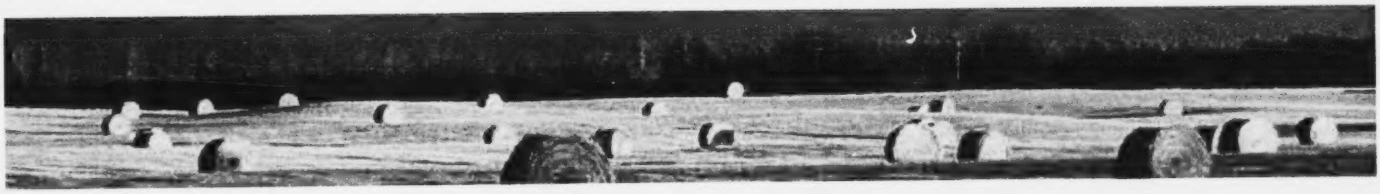
6.2.1 Contract Work

All contact work/machine rental income and expenses are considered non-allowable for AgriStability (with the exception of expenses for trucking used to transport eligible commodities to market or eligible inputs to the farm).

Contract work includes: custom seeding, cleaning, snow plowing, gravel hauling, contract welding, oilfield services, non-agricultural trucking, land clearing, logging, building, and construction. Income generated from these services is excluded from the AgriStability program year margin calculations. In addition, an amount equal to 30 per cent of reported contract work income is deducted from allowable expenses to account for the expenses incurred to perform the contract work. If the 30 per cent ratio does not reflect the ratio on your farm, you can request that SCIC use a different expense ratio. SCIC may request supporting documentation to substantiate your expense ratio.

In cases where contract work expenses include amounts for arm's length labour or production input costs, the portion of these expenses will be allowable under the program if they are itemized separately on your financial statements submitted with your income tax return (or on other documentation as requested by SCIC).

If there is a discrepancy in the method used to report these expenses in the program year and reference



period, the reference period reporting will be adjusted to reflect the method used in the program year. This ensures an accurate comparison on your program year and reference margins.

Custom Feeding Operations: In order for income and expenses from a feeding operation to be considered allowable, the operation must have made an appreciable contribution to the growth and maturity of the livestock. In the case of cattle, an appreciable contribution is made when the animals are fed for at least 60 days, or gain an average of at least 90 kilograms. If you are custom feeding, you must grow or purchase the feed used in the operation.

Operations are not considered to have made a contribution to the growth and maturity of the livestock, and the corresponding income and expenses are therefore non-allowable, if they are:

- acting as an agent or broker for the sale of livestock;
- buying livestock for short term resale; or
- assembling and preparing livestock for shipment.

Income and expense amounts reported as custom feeding must be limited to allowable income and expense items. For example, for income based on feed plus yardage charges, the feed portion would be considered allowable, while the yardage fees are not.

For cattle, an amount equal to five per cent of reported custom feeding income is deducted to account for yardage fees. If the five per cent ratio does not reflect the ratio on your farm, you can request that SCIC use a different yardage ratio. SCIC may request supporting documentation to substantiate your yardage ratio.

6.2.2 Labour Expenses

Arm's length salaries (those paid to parties who are not a related person) are considered allowable under the AgriStability program. Any salaries that are disproportionately high in the program year relative to the reference period may be adjusted or deemed non-allowable, unless a verifiable explanation for the expense is provided.

Non-arm's length salaries (those paid to parties who are a related person, including management fees paid to the shareholders of a corporation) are non-allowable expenses for AgriStability. See glossary for definition of related persons.

6.2.3 Commodity Futures

Income and expenses from futures market transactions (including options and forward contracts) are allowable as part of a hedging strategy providing:

- your futures transactions were undertaken in commodities produced and/or consumed on your farm, or in those that would be considered a proxy for that commodity (e.g. if you do not grow or feed grain you cannot include wheat futures transactions as an allowable income and/or expense); or
- your futures transactions represent a volume of product that could either be reasonably produced and/or consumed on the farm, or would be considered a proxy for that commodity (e.g. if you grow 500 acres of corn, but undertook futures transactions equivalent to 1,000 acres of corn, you cannot include those transactions in excess of what was produced on the farm).

6.2.4 Peat Moss

Sales and purchases related to a peat moss operation are non-allowable. However, if you are purchasing peat moss as a soil supplement, this is considered an allowable expense under the AgriStability program, and can be reported as a fertilizer and soil supplement expense under line code 9662.

6.2.5 Trees and Other Non-Edible Horticulture

Allowable Items: Allowable tree production (excluding the non-allowable items listed below) must be generated through farming activity to be allowable under AgriStability. Farming activity includes the planting, nurturing and harvesting of trees, with significant attention paid to managing the growth, health, and quality of trees. This activity can involve the regular seeding and harvesting of trees, shrubs, herbaceous perennials, or annuals, including ornamental, fruit, and Christmas trees. These operations must incur normal input and harvesting costs, and the crop must be considered an agricultural commodity. The income and expenses associated with these commodities are allowable, and should be included as inventory on your AgriStability application.

Non-Allowable Items: Income, expenses, and inventories related to the production and/or harvesting of trees for use as the following are non-allowable under AgriStability and will not be included in program margin calculations, regardless of the activities used to produce them:

- firewood
- construction material
- poles or posts
- fibre, pulp and paper
- trees and seedlings destined for use in reforestation

6.2.6 Horses and Other Livestock

Income from the primary production of horses (including PMU sales) is allowable if claimed as farm income for tax purposes.

Income received from the buyout of PMU contracts is allowable if it was paid in lieu of the commodity income that would otherwise have been received under the contract. Income that was not paid in lieu of commodity income, such as penalty fees, is non-allowable.

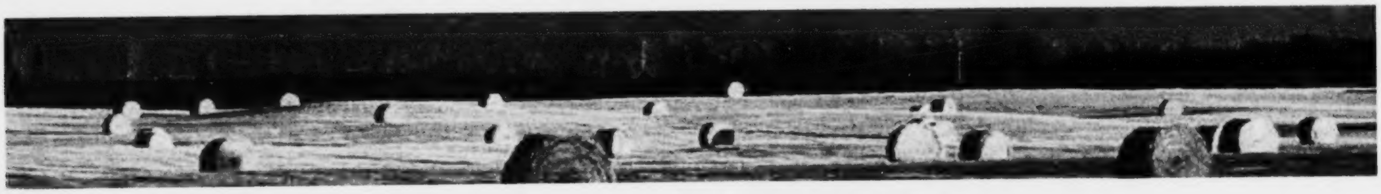
The following list identifies some examples of allowable and non-allowable items resulting from the buyout of a PMU contract:

Allowable	Non-Allowable
PMU Collection Agreement (grams x rate)	Rancher's Payment
West Nile Reimbursement	Business Planning Subsidy
Herd and Health Payment	Capital Costs
Equine Placement Fund (voluntary, but not always selected)	

Income from the sales and purchases of domesticated livestock in the operation of a hunt farm (where permitted by law) are allowable excluding amounts related to any ancillary services (e.g. food, lodging, hospitality, etc.).

Income and expenses related to the operation of a wild game reserve, which keeps wild animals for the purpose of viewing or penned hunt, are considered non-allowable for AgriStability.

Prize money from the showing of livestock in agricultural events such as fairs or expositions is considered agricultural and is therefore allowable income, providing it is incidental to the total farming income of your operation.



Income from training or boarding horses and prize money or purses from racing horses/other livestock are considered non-agricultural and therefore non-allowable for AgriStability and should be reported separate from farming income.

6.2.7 Processing and Resales

Processing is defined as changing the state of the commodity (e.g. milk to cheese, strawberries to jam, beeswax to candles, beef to beef jerky, grain to flour) or adding value to a commodity without changing its state (alfalfa to alfalfa pellets).

For the AgriStability program, income from processing is allowable if the following conditions have been met:

- the commodities processed were produced on your agricultural operation; and
- the income and expenses were reported to the CRA as farming income or loss.

Resales are defined as the buying and selling of a commodity by the producer (for example, buying wheat seed and reselling it without the process of planting and growing the commodity). Some resales include processing of a commodity while other resales do not. The income and expenses associated with resales are non-allowable for the AgriStability program.

6.2.8 Supply-Managed Commodities

Supply-managed commodities are covered by AgriStability only when the producer's income declines into Tier 3. If your farm production includes supply-managed commodities and your farm income declines into Tier 2 only, your benefit will be adjusted to ensure the program is not providing income stabilization for the portion of your farm that is supply-managed. This adjustment will not be applied if your program year margin declines into Tier 3.

If you are producing supply-managed commodities in the program year and your program year margin declines into Tier 2 only, your AgriStability benefit will be reduced by the percentage of your allowable income derived from supply-managed commodities. This percentage is:

- calculated based on the three years used to determine your reference margin;
- calculated on the basis of the whole farm in cases where operations have been combined for AgriStability purposes; and
- subject to structural change adjustments.

6.2.9 Farming Activities Outside Canada

Income and expenses generated from farming activities outside Canada are non-allowable. However, income from commodities taken to a finished or marketable state within Canada and subsequently sold outside Canada, are allowable.

In the event that a commodity is produced in Canada and then shipped outside Canada for further production, the income and expense generated once the commodity has left Canada is non-allowable. It is possible, however, that the commodity may return to Canada for further production or sale, in which case the income and expense generated once the commodity re-enters Canada is allowable.

6.3 Fiscal Periods Greater or Less Than 12 Months

If your program year margin or any of your reference period margins represent less than a full year of operation (i.e. a stub period), the information for the stub period will be

combined with information from prior fiscal periods until a minimum period of 12 months is available. The combined income and expenses will be prorated to reflect a 12-month period. Separate income statements for all combined periods must be reported.

If a fiscal year spans more than 12 months and reflects more than the normal amount of income and expenses, SCIC will prorate the fiscal year to represent a 12-month period.

In cases where your farming operation has a fiscal year other than 12 months, and within that fiscal year the number of production cycles completed is consistent with the number of production cycles completed in each of the reference years, SCIC may consider the fiscal year to constitute a normal fiscal period. In these cases, SCIC may not combine the information with prior fiscal periods and proration may not be necessary.

Changing your fiscal year-end may affect which program year your operation is eligible to apply for, if your stub period results in a program year with less than six months of production or no production cycle.

If your program year includes more than one fiscal year-end, SCIC will combine both fiscal periods and prorate to reflect a 12-month period. Any AgriStability benefit will be based on this prorated amount.

NOTE: Any participant with a fiscal period of less than six months in the program year will not qualify for an AgriStability benefit.

6.3.1 Section 85 Rollovers

Participants who form a new corporation will be asked to provide section 85 rollovers.

If the fiscal period of both the new and old operations end in the same calendar year in the year a corporation is formed, SCIC is required to combine information from both operations to determine AgriStability eligibility and benefit.

If the new operation has a fiscal period of less than 12 months, the last fiscal period of the old operation and the first fiscal period of the new operation may be combined and converted to a 12-month period. This would occur when a proprietorship or partnership has formed a corporation and changes to a different year-end for the new operation. SCIC may consider a fiscal period of less than 12 months to constitute a full program year if the number of production cycles completed in that period is consistent with the number completed in each reference year. Prorating would not be necessary in this case.

6.3.2 Shell Corporations

If your operation reports income and expenses to the CRA through a shell corporation, your program and reference years will be based on the information as reported to the CRA via the shell corporation. This includes, but is not limited to, the determination of eligibility, calculations of margins, and establishing the start and end dates for fiscal periods in program and reference years.

6.4 Crop Insurance Premium Adjustment

AgriStability and Crop Insurance are designed to work together so that producers are not at a disadvantage by participating in both programs. If you receive a lower AgriStability benefit because you are also participating in crop insurance, you will receive a premium adjustment payment to address the difference. The payment will be sent automatically after you receive an AgriStability benefit.

6.5 Negative Margins

Negative margins are protected under the AgriStability program. A negative margin occurs when your allowable expenses exceed your allowable income after taking into consideration accrual adjustments and structural changes for the program year.

If your program year margin is negative, you may be compensated for up to 60 per cent of the portion of your margin decline that is below zero (or below your reference margin where it is also negative) provided it does not exceed the maximum program benefit, which is $3 million or 70 per cent of your margin decline – whichever is lower.

You may be eligible for a negative margin benefit if:

- you have a positive reference margin; or
- your reference margin is negative and you meet the following condition: two of three production margins used to calculate your reference margin must be positive margins.

In addition:

- you must have followed sound management practices; and
- the negative margin must have occurred because of reasons beyond your control.

Deemed Crop Insurance Benefit: Participation in crop insurance is not required to receive an AgriStability benefit. However, your negative margin benefit may be reduced if you did not participate in crop insurance. If crop insurance was available and you did not insure all your insurable commodities at the 70 per cent level, your negative margin benefit will be reduced. SCIC will calculate the indemnity you would have received if you had participated in crop insurance. The crop insurance premium that you would have paid will be deducted from this amount to determine your **deemed crop insurance benefit**. Your negative margin benefit will be reduced by 60 per cent of the deemed crop insurance benefit.

6.6 Structural Change of Farming Operations

A structural change may occur when there is a change in ownership, business structure, size or location of operation, farming practices, type of farming activity, method of accounting, or any other practice that may alter your production margins. When you change the structure of your farm, adjustments are made to your reference margin so it accurately reflects your farm in the program year.

Structural changes are measured on the basis of your farm's productive capacity. For livestock, productive capacity is measured according to the type of livestock being produced (e.g. number of animals fed on a cattle feeder operation). For crops, productive capacity is measured by productive acres (e.g. those already producing a crop or that will be productive in its first year). A crop that cannot normally be harvested in its first year, or in the program year, may not be included in the productive capacity of your farm.

AgriStability uses the ratio method for when a structural change is being used. With the ratio method, your reference margins will be adjusted based on your own farm's performance, rather than only industry averages. This method ensures an accurate reflection of what your margin would have been had the operation been the same size or type in the reference years as in the program year. If the structural change to your farming operation represents a $5,000, and at least a 10 per cent, difference in your margin, it will be subject to structural change adjustments.

When using the ratio method, the structural change is calculated as follows:

1) For each year in the reference period, the number of productive units in that year will be multiplied by the

BPU in that reference year for that commodity (or commodity group).
  - This is the historical production margin for each reference year.

2) For each year in the reference period, the number of productive units for each commodity (or commodity group) in the program year will be multiplied by the BPU in each reference year for that commodity (or commodity group).
   - This is the current production margin for each reference year.
3) The benchmark production margin calculated in (2) will be divided by the historical production margin calculated in (1).
4) The ratio calculated in (3) will be multiplied by the participant's **actual** production margin for that reference year.

The ratio method increases or decreases the production margins in the reference period by the same percentage of units changed (e.g. if a producer's acres increase by 50 per cent, the reference year production margin is multiplied by 1.5).

Where the standard structural change adjustment cannot be calculated or does not accurately reflect the structural change of your farming operation, alternate methods of calculating structural changes may be applied by SCIC.

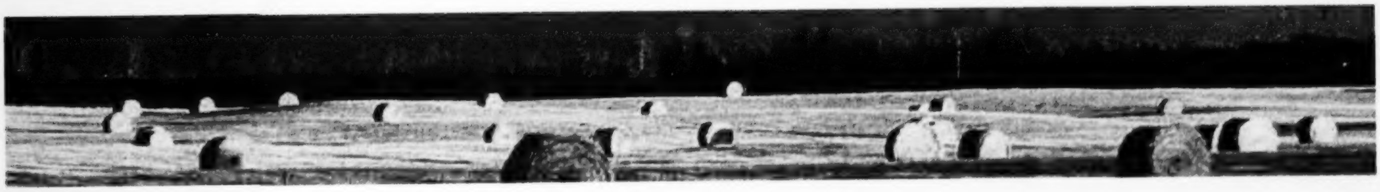
SCIC will apply any structural change adjustments to the production margin of each reference year prior to calculating the Olympic average reference margin.

Structural Change and Disaster Circumstances: The structural change adjustment may be waived if a structural change was the result of disaster circumstances. SCIC assesses situations on a case-by-case basis to ensure that all relevant factors affecting production are considered. Where disaster circumstances have occurred and compensation is received for lost productive capacity, it is considered allowable income under the program if it is received in lieu of normal farm income, or as an allowable program benefit. When assessing whether a structural change may be waived due to disaster circumstances, SCIC will apply the following criteria:

- Disaster circumstances are those that occur for reasons outside your control. For example, flooding and depopulation of livestock due to disease would be outside the producer's control. Disaster circumstances generally do not include circumstances arising from your health or business decisions.
- Where the nature of the disaster is such that your productive capacity can be restored, the structural change will be waived for such time as is reasonable for restoration to take place.
- Where the nature of the disaster is such that your productive capacity cannot be restored, or restoration would be economically unfeasible, the structural change will be waived until such a time as is reasonable for the producer to develop alternative capacity. A reasonable time period would generally not exceed one year.

6.6.1 Combining Operations / Whole Farm Approach

The income and expense information of two or more related persons or entities may be combined if the farming operations are part of a whole farm, even though the operations report separately for income tax purposes. This ensures that AgriStability benefits are directed to farming operations that have experienced an income decline beyond their control. See glossary for definition of related persons.



Your farm financial information may be combined with information from a non-participant if it is determined that you and the non-participant are related persons and are part of the same whole farm. Each participant's benefit is calculated based on their share of the combined operation's benchmark margin. If you are combined with a producer who is not eligible for, or not participating in, the AgriStability program, you will receive only your portion of program benefits.

Generally, operations are combined when they are determined to be related persons and:

- the operations are not legally, financially or operationally independent; or
- all or some of the transactions between the operation are above or below fair market value.

A) **Independence of Operations:** SCIC will assess the legal, financial, and operational independence of operations. This may include, but is not limited to, establishing whether each operation is reporting reasonable amounts of allowable income and expenses. If one operation is claiming more or less than the proportionate amount of total allowable income or expenses, the operations may be combined.

The following are examples of operations that will not be considered independent of one another:

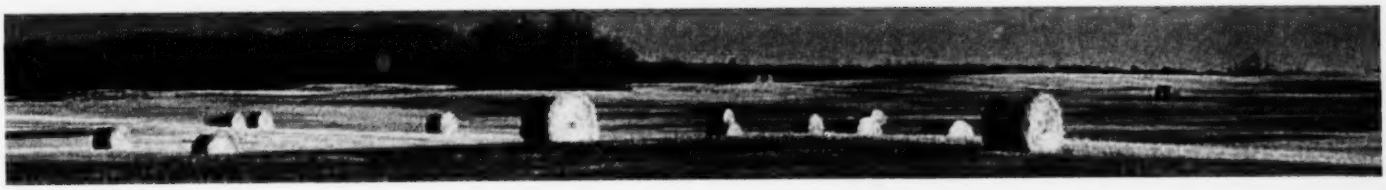
- Operations where transactions cannot clearly be assigned to one or the other operation(s) – this may include operations that do not maintain separate books, have commonly held inventory or inputs, or cannot show independent operational viability.
- Operations that are engaged in "risk-splitting" – this would include operations that farmed as a single operation at any time in the program year or reference years and subsequently split into two or more operations (except where it can be demonstrated that a permanent division of controlling interest has taken place).

B) **Transactions not at Fair Market Value:** Transactions between all parties (whether they are related persons or otherwise) must be at fair market value to be included in the calculations of margins. Transactions above or below fair market value may be adjusted by SCIC to reflect fair market value. Where these transactions cannot be clearly defined, SCIC may combine the income and expenses of the participants involved.

6.6.2 Margin Calculations for Combined Operations

If your operation is combined with that of a related person, the margin and benefit is calculated as follows:

1) For each reference year, the allowable income and expenses of all operations are combined to arrive at a production margin for that year.
2) Based on the combined production margin for each reference year, a reference margin for the combined operation is calculated.
3) For the program year, the allowable income and expenses (including all adjustments for inventories, payables, and receivables) for all operations are combined to arrive at a combined program year margin.
4) Each participant is allocated a percentage of the combined reference and program year margins based on each participant's share of the combined operation's benchmark margin. The benchmark margin for the combined operation is calculated by multiplying the



combined operation's productive units in the program year by the average BPU of each unit over the reference years.

5) The supply-management ratio calculation, if applicable, is calculated for the combined operation and applied to each combined participant as appropriate.

6.6.3 Benefits for Combined Operations

Total benefits for combined operations, regardless of the number of parties, cannot exceed $3 million or 70 per cent of the combined margin decline of the combined program year margin relative to the combined reference margin. Margin declines will only be covered once, regardless of the number of parties involved.

6.6.4 Joining, Leaving, or Splitting Existing Operation

If you have joined, left, or split an operation, you may have all or part of that operation's reference margin used in calculating your AgriStability benefit. This ensures an accurate measure of any margin decline in the program year.

6.6.4.1 Joining or Leaving an Existing Operation

Joining an Existing Partnership: If you have joined an existing partnership, you will be assigned a portion of that partnership's reference margin based on your partnership percentage in the program year. If you have previous farming history, your existing reference period information will also be included in the calculation of any benefit.

Leaving an Existing Business: If you have an existing operation and continued to farm, you may be assigned to all or a portion of that operation's reference margin. This will always be the case where:

- you have left a partnership; or
- you have folded a corporation you control and continued to operate a farming business that is substantially the same.

In some circumstances, producers leaving an operation may be considered as beginning farmers. In this case, SCIC will create a reference margin. For example, if you leave a corporation without assuming a portion of its productive capacity and that corporation continues to operate, you may be considered a beginning farmer.

6.6.4.2 Splitting an Existing Operation

If you are part of an operation that has been split, you will retain a share of the operation's reference history. Where this split represents a permanent division of controlling interest, each producer emerging from the split will be assigned their share of the reference margin and assume independent benefit under the program. Where this split does not represent a permanent division of controlling interest (i.e. "risk-splitting"), each producer emerging from the split will retain a share of the reference margin, and will be combined for benefit purposes under the program until each party has accumulated an independent reference history.

7.0
Important Information for Producers

7.0 Important Information for Producers

7.1 Limits on Government Benefits

The maximum total government benefits that you can receive under AgriStability in a program year is capped at the lesser of $3 million or 70 per cent of the margin decline of your program year margin, relative to your reference margin. Any negative portions of the program year margin are included in the calculation of the 70 per cent benefit cap. AgriStability benefits for less than $10 will not be issued.

7.2 Interim and Targeted Advance Payments

The interim benefit option allows you to access funds prior to the completion of your fiscal period in the program year. To be eligible for an interim benefit you must:

- complete a production cycle;
- have six consecutive months of farming activity; and
- have an estimated program year margin that has declined by more than 15 per cent (relative to your reference margin).

NOTE: An Interim or Target Advance Payment (TAP) is calculated from an estimate of a participant's final benefit. An interim benefit or TAP can result in an overpayment once the final benefit is calculated. An overpayment must be repaid by the participant.

The requirements to complete a production cycle and six months of farming activity may be waived by SCIC if you were unable to complete them in the program year due to reasons beyond your control (such as disaster circumstances like flooding or drought).

The interim benefit is based on your estimated margin decline in the program year relative to your estimated margin decline in your reference period. To reduce the risk of overpayment, interim benefits are based on the portion of your estimated final benefit. Interim benefits are generally issued at 50 per cent of your estimated final benefit.

If you receive an interim benefit, you are required to meet all the AgriStability program participation requirements, including submitting final AgriStability program forms for that program year by the established deadline. If you do not, any interim benefits received will be considered an overpayment and you will be required to pay these benefits back to SCIC.

In addition to the interim benefit, a TAP may be available for designated sectors or regions, subject to the agreement of federal and provincial officials.

A TAP may be made available in years when there is a need for more timely cash flow, where that need cannot be addressed effectively and rapidly through the existing interim benefit process. A TAP may be used in situations of unusual production or market disruption that will have a significant negative financial impact on producers of certain commodities, or those within a specified geographical area. The TAP was not designed to address individual farm situations.

If you request both a TAP and an interim benefit for a program year you will be eligible to receive the greater of the two payments.

If you receive a TAP or interim benefit, you are required to meet all the AgriStability program participation requirements, including submitting final AgriStability program forms for that program year by the established deadline. If you do not, any TAP or interim benefits received

will be considered an overpayment and you will be required to pay these benefits back to SCIC.

For more details on interim benefits and TAP, visit the Saskatchewan AgriStability website at www.saskcropinsurance.com or call the SCIC AgriStability Call Centre toll-free at 1-866-270-8450.

7.3 Treatment of AgriStability Benefits

Benefits are subject to the operation of laws relating to estates, bankruptcies, separations, and divorces.

The government benefits received from the AgriStability program cannot be assigned (except for cash advances), deferred or otherwise encumbered.

The following guidelines for the treatment of AgriStability benefits are based on the CRA tax guidelines:

- Government benefits paid to you are taxable in the year the cheque is dated.
- Government benefits must be reported as farming income for tax purposes.
- SCIC will issue an AGR-1 Supplementary – Statement of Farm Support Payments tax information slip for taxable benefits.

7.4 Audits, Verification, and Accuracy of Information

The information on your AgriStability forms will be used for the purpose of administering your participation in the program, determining your eligibility for benefits, verifying the information submitted, and administering the premium adjustments linkage between Crop Insurance and the AgriStability program. As well, the information you provide will be used for the purpose of administering benefits under other farm income and special assistance programs, and any audit, analysis, and evaluation of the AgriStability and other farm income and special assistance programs.

By participating in the program, you authorize the CRA to share provided information with SCIC. Information provided on your forms, and any additional information provided as your application is processed, may be shared between federal and provincial business risk management programs.

Some important information about audits, verification and the accuracy of information:

- You may be subject to audit on a pre- or post-payment basis by SCIC. Any information obtained through audit or inspection may be made available by SCIC to AAFC.
- If you provide false or misleading information you will be denied a benefit from the program, and will be required to repay any benefit received. It is a criminal offence to obtain money through willfully or intentionally providing false information. If you provide any false information to SCIC, or provide incomplete or misleading information, you may be liable for a fine, imprisonment, or both.
- If audit or inspection results in a change to the amount of your AgriStability program benefits, any additional amount will be paid to you. Likewise, any overpayment you receive will be required to be repaid.
- If you do not provide the required information or access to books and records within the specified time frame, you will be denied all or part of the benefit for the program year, or will be required to repay any benefit received.
- It is your responsibility to ensure that information supplied to the CRA and SCIC is correct and complete. You must inform SCIC of any changes or corrections to information submitted.

- All participants, including those in the process of an audit or an appeal, must continue to meet all applicable program deadlines in order to be eligible for AgriStability.
- SCIC will not notify you of incorrect tax reporting. SCIC may adjust tax information as necessary for the purposes of calculating program margins. SCIC cannot make corrections to tax information with the CRA. You may be notified in writing that a correction with the CRA is required in order for your AgriStability program forms to be processed. In this case, you must make the correction with the CRA and notify the SCIC by the established deadline.

7.5 Amendments

Amendments must be submitted in writing, directly to SCIC. You must clearly identify your submission as a request for an amendment.

Amendments may require supporting documentation and are subject to verification, audit and/or inspection by SCIC. Where amendments affect taxable income, SCIC may require that the amendment be accepted by the CRA before it is accepted for program purposes. It is your responsibility to submit copies of the Notice of Reassessment issued by the CRA, or notifications of adjustments to information submitted to the CRA for income tax purposes.

If you are reassessed by the CRA, and your revised information affects your AgriStability margins, you must submit a copy of your Notice of Reassessment to SCIC.

7.5.1 Amendments Initiated by Producers

You can request an amendment to information used in calculating your program benefits for the program year (including information used in calculating the reference margin for that program year) by submitting a written request to SCIC up to 18 months after notification of your original Calculation of Benefits (COB) for that program year. Additional benefits will not be paid with respect to any previous program year, where the amendment was submitted outside the 18-month period for that previous program year.

If SCIC accepts the amendment and provides an adjusted COB, amendments related to changes made to that COB must be made within 90 days after notification of the amended COB, or within 18 months of notification of the original COB – whichever is later.

For example:
You receive your original COB dated February 1, 2010. You have until August 1, 2011, to submit an amendment (18 months from the date on your original COB). You submit an amendment on your original COB on March 1, 2011, the amendment is accepted and a revised COB is sent to you on June 1, 2011. You still have until August 1, 2011, to submit amendments to your original COB. However, you only have until September 1, 2010 (90 days from your revised COB), to submit a change to the information you already amended.

NOTE: SCIC may accept applications or amendments after a deadline, where a participant can demonstrate that exceptional circumstances prevented them from meeting a deadline. Exceptional circumstances are those that could not have been avoided by the exercise of due care by the producer, or a third party acting on behalf of the producer. Some examples of exceptional circumstances include the serious illness or death of the participant or an immediate family member, or a catastrophic event that prevented the participant from meeting the deadline.

7.5.2 Amendments Initiated by SCIC

SCIC is responsible for ensuring that all benefits have been issued according to program guidelines and legislation; therefore, is not bound by deadlines in cases of amendments initiated by SCIC.

7.6 Overpayments and Debts Due

You will be required to repay any benefits received under the AgriStability program that are in excess of the amount permitted under the guidelines of the program. Interest may be charged 30 days after the date that notification of overpayment is issued. The interest rate used is Royal Bank prime plus two per cent, adjusted quarterly. Debts owing to the federal and provincial governments may be recovered from amounts payable to you under the AgriStability program.

Debts due to the Crown, including AgriStability final and interim overpayments, may be deducted from any monies payable to you. You will be notified of these deductions. Receivables due to the AgriStability program, such as the ACS or program fee, will be deducted from any government benefits payable to you, or will be carried forward in the years you do not qualify for government benefits.

7.7 Bankruptcy

An individual or entity that has declared bankruptcy in the program year may participate through the trustee in bankruptcy. If you declare bankruptcy after applying for AgriStability, it is your responsibility to ensure SCIC is notified. Applicants in bankruptcy are eligible for the AgriStability program if you meet the normal eligibility requirements of the program. The trustee in bankruptcy is assigned the responsibility of managing all the assets and liabilities of the bankrupt party, including AgriStability benefits, until the bankruptcy is discharged. The trustee may access your information subject to the provisions of the Privacy Act. It is the responsibility of the trustee to notify SCIC and provide instructions regarding the benefit.

In all cases, SCIC will ask the trustee to provide documentation supporting the account's payables.

- If a bankruptcy has not been discharged, allowable payables in the program year margin will be included (unless the trustee provides other information).
- If a bankruptcy has been discharged, only those payables satisfied by the bankrupt estate (trustee), in part or in whole, will be included in the program year margin. Any payables or portion of payables not reimbursed to creditors will not be allowed. This ensures the AgriStability program is not paying the applicant for debts that have ceased to exist. The trustee must provide documentation supporting the amounts actually paid to all creditors.

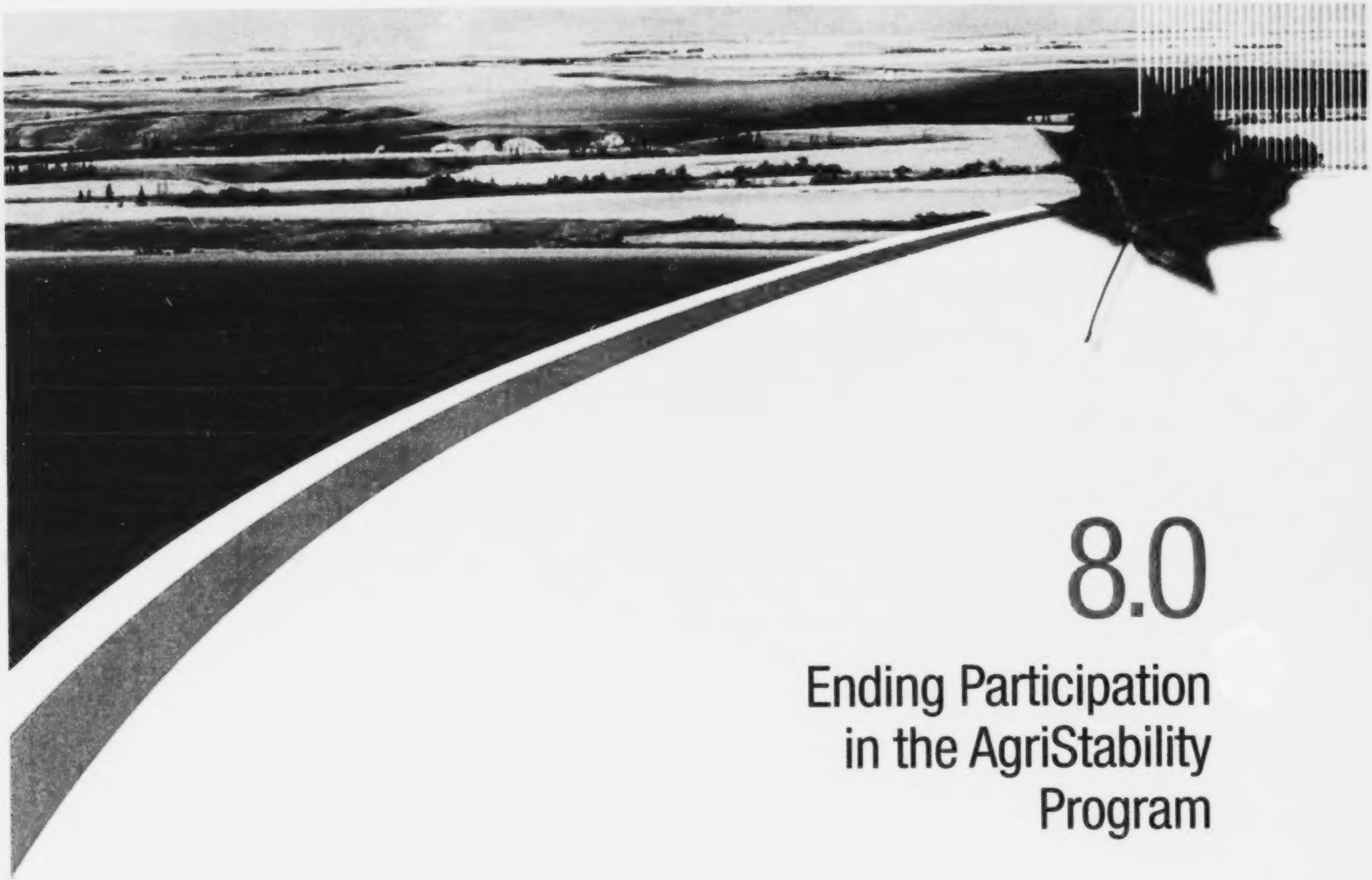
SCIC will provide notice to the trustee and the applicant of amounts payable to the applicant. In most cases, SCIC will direct benefits to the trustee. A cheque will be sent to an applicant if:

- the bankruptcy is not known to SCIC;
- the trustee confirms in writing that the AgriStability benefit is not part of the bankrupt estate; or
- the trustee has been discharged of their duties and has provided documentation of their discharge.

7.8 Privacy

The personal and financial information you provide to the Saskatchewan Crop Insurance Corporation (SCIC) will be used for purposes of processing your AgriStability program application, or as allowed by law (e.g. The Freedom of Information and Protection of Privacy Act,

the Farm Income Protection Act, the Income Tax Act, and the Financial Administration Act). Once your AgriStability program application is submitted, the information becomes confidential. Information will only be used as specified on the AgriStability program application or shared with SCIC for administration purposes.



8.0

Ending Participation in the AgriStability Program

8.0 Ending Participation in the AgriStability Program

There are two ways to end your participation in AgriStability:

1) When you receive your Enrolment/Fee Notice for the upcoming program year, use the appropriate check box to indicate that you do not wish to participate and submit the tear-off portion by the deadline indicated on the Enrolment/Fee Notice. If you do not notify SCIC by the Enrolment/Fee Notice deadline, you will be required to pay the ACS, and any applicable program fees and penalties for that program year. It is your responsibility to notify SCIC by the applicable deadlines if you wish to rejoin the program in the future.
2) You can also notify SCIC by completing the cancellation form if you do not wish to participate in the program for the following year. You must complete and return the cancellation form by the applicable deadline. Otherwise, you will be required to pay the ACS, and any applicable program fees and penalties for that program year.

9.0
Appeals

9.0 Appeals

If you feel that program rules were not correctly applied in the processing of your application, you may request a review of the application by SCIC. If SCIC cannot resolve your concerns, your request may be referred to an appeals committee. The appeals committee will review appeals in accordance with procedures established by SCIC, and the agreements governing the program.

The appeals committee does not have the ability to create exceptions to program policies, such as eligibility criteria or any other provisions included in the program guidelines, the Growing Forward agreement, or the Farm Income Protection Act. All recommendations made by the appeals committee are considered non-binding.

Appeals must be submitted in writing to SCIC at:

AgriStability Program Appeals
484 Prince William Drive
PO Box 3000
Melville SK S0A 2P0
Fax: 1-888-728-0440

You must submit your written request within 90 days from the date you were notified (in writing) of the decision you are appealing (e.g. 90 days from notification that your adjustment request has not be accepted by SCIC). Appeal letters must clearly identify the nature of the appeal and provide sufficient information and documentation to substantiate the appeal. If you do not identify the nature of the appeal and/or provide sufficient information and documentation to substantiate the appeal by the date specified by SCIC, your appeal will not be forwarded to the appeals committee.

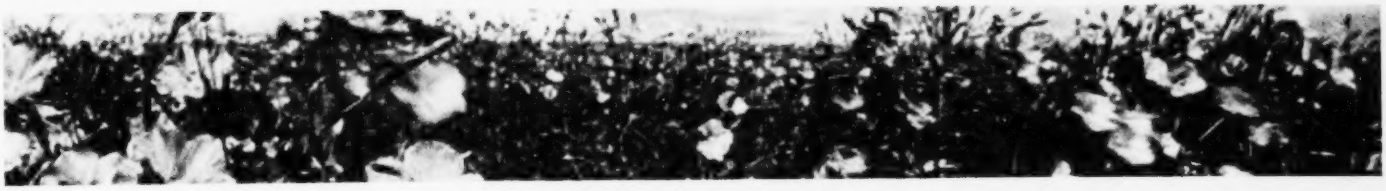
The appeals sub-committees may recommend exceptions to deadlines in cases involving exceptional circumstances, where the failure to meet the requirements of the AgriStability program could not be avoided by the exercise of due care by the producer or a third party acting on behalf of the producer. Examples of exceptional circumstances include Acts of God such as flash floods, unscheduled surgery, or the death or serious illness of the participant or an immediate member of the participant's family. When reviewing cases involving exceptional circumstances, the length of time prior to the deadline when the events occurred will be taken into consideration.

Appellants, including those who use the services of a third party, are responsible for knowing and following program policies and deadlines. Disagreeing with program policies is not a valid ground for appeal. SCIC may not refer an appeal to an appeals committee where the appeal does not disclose a valid ground for appeal.

NOTE: All participants, including those in the process of an appeal, must continue to meet all applicable program deadlines in order to be eligible for AgriStability.

10.0
Index

10.0 Index



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Office Hours: 8:00 a.m. to 5:00 p.m. Closed weekends and statutory holidays

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